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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY

RUCNCIS/CIS COLLECTIVE PRIORITY

RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHAD/AMEMBASSY ABU DHABI PRIORITY 0287

RUEHAK/AMEMBASSY ANKARA PRIORITY 3610

RUEHBJ/AMEMBASSY BEIJING PRIORITY 1428

RUEHKL/AMEMBASSY KUALA LUMPUR PRIORITY 0092

RUEHKO/AMEMBASSY TOKYO PRIORITY 1295

RUEHIT/AMCONSUL ISTANBUL PRIORITY 1864

RHMFISS/CDR USCENTCOM MACDILL AFB FL PRIORITY

RUEAAIA/CIA WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RUEKJCS/Joint STAFF WASHDC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RUEKJCS/SECDEF WASHDC PRIORITY

RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 000453

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SUBJECT: TURKMENISTAN: FOR CHEVRON, IT'S NOW A MATTER OF TRUST

REF: ASHGABAT 0415

Classified By: CDA Richard E. Hoagland: 1.4(B), (D).

¶1. (C) SUMMARY: According to Chevron's country manager, Chevron's April 5 presentation to officials from Turkmenistan's hydrocarbon sector (reftel) went smoothly, but Turkmenistan is still unwilling to come to the table to negotiate the company's bid to work onshore sub-salt gas fields. While the Executive Director of the State Agency for Management and Use of Hydrocarbon Resources, Bayrammurat Muradov, characterized Chevron's presentation as "interesting," he asked that Chevron provide more information on how Chevron applies its processes and technology to its drilling. Muradov raised some concerns about Chevron's unwillingness to leave behind proprietary information, which left the country manager wondering if this was evidence that the government would not find his company a trustworthy partner. Muradov is willing to give Chevron a chance to do a second presentation, probably in May. Although frustrated with the government's unwillingness to come to the table, Chevron is already considering next steps, including the possibility of providing a road trip, with which to address Muradov's latest questions. But Under Secretary Jeffery could play a helpful role during his April 20-22 visit in determining whether Muradov's hesitation is due merely to a different business culture, or whether there are other issues at stake. END SUMMARY.

¶2. (C) During an April 9 meeting with EmbOff, Chevron country manager Doug Uchikura said that Chevron's April 5 presentation to officials from Turkmenistan's hydrocarbon sector (reftel) had occurred as planned. Chevron was given three hours, rather than the planned two, to make its case to over 30 officials from throughout Turkmenistan's hydrocarbon bureaucracy. Although Deputy Chairman of the Cabinet of Ministers for Oil and Gas Tachberdi Tagiyev did not attend,

his assistant did, as did Muradov, Deputy Minister of Oil and Gas Nedirov and Turkmengaz Chairman Kakayev and his deputy (Kakayev stayed only for an hour).

MURADOV'S FEEDBACK: TOO WEIGHTED ON PROCESS AND THEORY

¶3. (C) During an April 8 meeting with Uchikura, Muradov said that the presentation had been interesting, and the State Agency now understood that Chevron has extensive exploration expertise. Although Chevron's presentation had been weighted toward process and theory, there was not enough information on "practical application." Turkmenistan wants a clearer, more direct sense of how Chevron applies its processes and technology to its drilling. Muradov said he has asked those attending the April 5 presentation to send him specific questions about the presentation, but could not tell Uchikura when the State Agency would pass the questions to Chevron.

"NO PROBLEM WITH ACCESS TO RESOURCES...IF WE TRUST YOU"

¶4. (C) According to Uchikura, Muradov said that the government is willing to give access to the country's resources to those companies with which it feels comfortable.

(NOTE: According to Uchikura, in making this statement, Muradov did not add any of the usual qualifications, such as distinguishing between offshore and onshore production. END NOTE.) Muradov expressed concern that Chevron was not being completely transparent because it would not leave some of the information that it had discussed during the presentation. In addition, the presenters failed to answer some questions about Chevroil's Tengiz operations as directly as the State Agency had hoped. (NOTE: Uchikura told emboff that the

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information that the State Agency had wanted Chevron to leave was business confidential, and the presenters had not answered the questions on Tengiz because none of them had been directly involved in the Tengiz operations. END NOTE.) This issue of transparency is important, Muradov continued, because Turkmenistan wants to know that it can trust any future partners. If Chevron withholds information from the government now, it could become even worse if/when the two become partners.

CHEVRON NOW ONE OF FIVE INTERESTED IN ONSHORE OPS

¶5. (C) Muradov reiterated that the government is seeking similar information on technical capabilities from Shell, BP, Lukoil, and Total, all of which have expressed similar interest in working onshore in the Amu Darya basin. (NOTE: Uchikura said that Muradov did not mention either ExxonMobil or ConocoPhillips, nor did he give any indication of how far along these other four companies' proposals were. Uchikura said Tagiyev and Muradov would get a chance to see Total's facilities during their April 9-10 visit to Paris, and a look at BP during their trip to London for the April 17-18 "Oil and Gas in Turkmenistan Conference." END NOTE.)

TURKMENISTAN WILLING TO CONSIDER A JOINT VENTURE?

¶6. (C) Uchikura said that Muradov also hinted that the government might be interested in a joint venture (JV) arrangement, but it would have to feel comfortable with the company. Turkmenistan has some hesitancy about JVs, because it has been "burnt" once before. (COMMENT: Muradov was probably referring to Turkmenistan's early 1990s arrangement with Bridas, which has still not been resolved. END COMMENT.) Muradov added that it is particularly important for the State Agency to get a clearer sense of how Chevron applies its processes and technology if the State Agency is to be convinced to choose Chevron over its peers -- all the more so because Chevron is unwilling to accept a service contract arrangement.

CHEVRON TO GIVE A SECOND PRESENTATION

¶7. (C) Muradov also asked why Chevron had chosen to delay its discussion of a Wood-MacKenzie gas market presentation that it had initially planned also to give on April 5. When Uchikura told him that Chevron had been unable to get Letters of Invitation for the Wood-MacKenzie presenters in time for the meeting, Muradov agreed to schedule a second presentation once he returns from London.

¶8. (C) Uchikura said he believed that Muradov is seizing on the issues of trust and practical application as a way of side-stepping a decision to begin talking in earnest about Chevron's bid. Uchikura expressed frustration with Muradov's coy "focus on the moment." However, he and EmbOff worked through a number of possible next steps, including:

-- Obtaining more information about Turkmenistan's plans and priorities regarding foreign investment in the hydrocarbon sector during the London hydrocarbon conference.

-- Preparing presentations for a three-hour meeting with a Turkmen technical delegation scheduled for April 23 that are light on process and seismic imaging, but heavy on practical applications of Chevron's sub-salt, high-pressure, high-temperature, high-sulphur drilling and producing capabilities.

-- Developing a "field trip" to some of Chevron's drilling

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facilities for up to ten Turkmen officials that would give them hands-on exposure to the practical application of Chevron's integrated processes, technical expertise and drilling and producing operations to demonstrate precisely how Chevron would approach implementation of each phase of its Amu Darya basin sub-salt proposal.

-- Working at developing trust by responding to all the questions Chevron receives from Muradov and by following through -- likely in May -- on the presentation of the Wood-MacKenzie study.

¶9. (C) COMMENT: We believe what we are seeing is two different cultures, each with its own priorities, working at cross-purposes. Chevron's goal is to bring Turkmenistan into negotiations quickly in order to get a definitive answer on its bid. Chevron had placed high hopes that its April 5 presentation would be the key to bringing Turkmenistan to the table. Even if Turkmenistan has decided that it is willing to allow foreign companies to work onshore, as Muradov's words to Uchikura suggest, it is still in no hurry to make what it sees as a serious commitment. It would rather survey the field to find the partner it is most comfortable with before seeking to negotiate the best deal it can. Muradov's words about "trust" are serious and are a natural outgrowth of Turkmenistan's culture, which is based on personal relationships. With other foreign companies apparently closing in, however, Chevron's concerns are understandable.

¶10. (C) COMMENT CONTINUED: Despite Uchikura's frustration with the State Agency, Chevron remains -- as far as we are aware -- further along in its bidding process than any other competitor that Muradov mentioned. The fact that Muradov is giving Chevron a chance to do a second proposal is positive, as is the fact that Muradov was willing to give as much detailed feedback to the first briefing as he did. We believe that many of Chevron's proposed next steps are positive: just the fact that Chevron is prepared to demonstrate its responsiveness to Turkmenistan's concerns should help to build the trust that Ashgabat values. However, we believe that Under Secretary Jeffery during his April 20-22 visit could play a helpful role in determining whether Muradov's unwillingness to commence negotiations is focused on buying more time to survey the field, or whether there are other factors at work. END COMMENT.

HOAGLAND